

SECURITIES AND EXCHANGE COMMISSION  
(Release No. 34-78248; File No. SR-CFE-2016-003)

July 7, 2016

Self-Regulatory Organizations; CBOE Futures Exchange, LLC; Notice of Proposed Rule Change Regarding Account and Order Ticket Information

Pursuant to Section 19(b)(7) of the Securities Exchange Act of 1934 (“Act”),<sup>1</sup> notice is hereby given that on June 10, 2016 CBOE Futures Exchange, LLC (“CFE” or “Exchange”) filed with the Securities and Exchange Commission (“SEC” or “Commission”) the proposed rule change described in Items I, II, and III below, which Items have been prepared by CFE. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons. CFE also has filed this proposed rule change with the Commodity Futures Trading Commission (“CFTC”). CFE filed a written certification with the CFTC under Section 5c(c) of the Commodity Exchange Act (“CEA”)<sup>2</sup> on June 23, 2016.

I. Self-Regulatory Organization’s Description of the Proposed Rule Change

The Exchange proposes to amend its rules related to account and order ticket information. The scope of this filing is limited solely to the application of the rule amendments to security futures that may be traded on CFE. The text of the proposed rule change is attached as Exhibit 4 to the filing but is not attached to the publication of this notice.

II. Self-Regulatory Organization’s Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, CFE included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV

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<sup>1</sup> 15 U.S.C. 78s(b)(7).

<sup>2</sup> 7 U.S.C. 7a-2(c).

below. CFE has prepared summaries, set forth in Sections A, B, and C below, of the most significant aspects of such statements.

A. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

1. Purpose

The purpose of the proposed CFE rule amendments included as part of this rule change is to amend CFE Rules 403 (Order Entry), 414 (Exchange of Contract for Related Position) ("ECRP"), and 415 (Block Trading) to clarify information that must be included as part of an order. The rule amendments included as part of this rule change are to apply to all products traded on CFE, including both non-security futures and security futures.

CFE Rule 403(a) currently provides that Trading Privilege Holders ("TPHs") are required to include certain information when entering an order into CFE's trading system. Pursuant to CFE Rule 403(a), each order currently must contain the following information: (i) whether the order is a buy or sell order; (ii) order type; (iii) commodity; (iv) contract expiration; (v) price; (vi) quantity; (vii) account type; (viii) account designation (the number assigned by a TPH to each of its accounts); (ix) in the case of orders for options, strike price, type of option (put or call) and expiration month; and (x) such additional information as may be prescribed from time to time by the Exchange.

CFE Rule 414(f) currently provides that TPHs must identify and mark an ECRP order as an ECRP.

CFE Rule 415(e) currently provides that TPHs are required to include specified information on the order ticket for a Block Trade. Pursuant to CFE Rule 415(e), each TPH that is a party to a Block Trade currently must record the following information on the order ticket: the contract (including the expiration) to which the Block Trade relates; the number of contracts

traded; the price of execution or premium; the time of execution (i.e., the time the parties agreed to the Block Trade); the identity of the counterparty; that the transaction is a Block Trade; and, if applicable, the account number of the customer for which the Block Trade was executed, the underlying commodity, whether the transaction involved a put or a call and the strike price.

The proposed amendments provide additional detail regarding certain order information that must be provided under these Rules in the following manner:

First, the proposed amendments specify that, under CFE Rule 403(a), the account designation that must be included in any order submitted to CFE's trading system is the account number of the account of the party for which the order was placed (except that a different account designation may be included in the case of a bunched order or in the case of an order for which there will be a post-trade allocation of the resulting trade(s) to a different clearing member).

A bunched order is an order that is entered on behalf of multiple customer accounts and then allocated to the individual customer accounts in accordance with applicable regulatory requirements.<sup>3</sup> Because bunched orders are on behalf of multiple customer accounts, individual customer account numbers are not required to be included with bunched orders and instead the proposed amendments to Rule 403(a) reference the requirement under CFE Rule 406(e) that a designation specific to the allocation group and account controller be included in the order rather than the individual account numbers. Additionally, when a TPH submits an order on behalf of a

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<sup>3</sup> CFE Rule 406(e) provides that, subject to compliance with CFE Rule 605 (Sales Practice Rules) and the sales practice rules referred to therein, each TPH may enter, or permit its Related Parties to enter (as applicable), a bunched order for more than one discretionary customer account into CFE's trading system by using a designation specific to the allocation group and account controller rather than including each of the individual account numbers in the order, provided that the TPH has filed or is filing an allocation scheme for the order in accordance with CFTC regulations.

customer for which there is going to be a post-trade allocation of the resulting trade(s) to a different clearing member, the TPH may not know the account number of the customer at that clearing member. Accordingly, the account designation that the TPH is required to provide in those situations is not required to be the account number of the account of the party for which the order was placed and could be a suspense account number.

Second, the proposed amendments specify that, under CFE Rule 414(f), each TPH that acts as agent for an ECRP transaction must include on the order ticket for the ECRP specified information provided for in this proposed rule change. Specifically, CFE Rule 414(f) is proposed to be revised to make clear that each TPH that acts as agent for an ECRP must record the following details with respect to the contract leg of the ECRP on its order ticket: the contract (including the expiration); the number of contracts traded; the price of execution or premium; the time of execution (i.e., the time the parties agreed to the ECRP); the identity of the counterparty; that the transaction is an ECRP; the account number of the customer for which the ECRP was executed; and if applicable, the underlying commodity, whether the transactions involved a put or a call and the strike price.

## 2. Statutory Basis

The Exchange believes that the proposed rule change is consistent with Section 6(b) of the Act,<sup>4</sup> in general, and furthers the objectives of Sections 6(b)(5)<sup>5</sup> and 6(b)(7)<sup>6</sup> in particular in that it is designed:

- to prevent fraudulent and manipulative acts and practices,

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<sup>4</sup> 15 U.S.C. 78f(b).

<sup>5</sup> 15 U.S.C. 78f(b)(5).

<sup>6</sup> 15 U.S.C. 78f(b)(7).

- to promote just and equitable principles of trade,
- to foster cooperation and coordination with persons engaged in facilitating transactions in securities, and
- to remove impediments to and perfect the mechanism of a free and open market and a national market system, and in general, to protect investors and the public interest.

The Exchange believes that the proposed rule change would strengthen its ability to carry out its responsibilities as a self-regulatory organization by providing further clarity and guidance regarding the type of information that must be included as part of an order. First, the proposed rule change will provide market participants with greater clarity regarding the information that must be provided when an order, ECRP transaction, or Block Trade is submitted to CFE's system. Second, the proposed rule change would contribute to enhancing the effectiveness of CFE's audit trail program by helping to assure that required information is included as part of each order.

B. Self-Regulatory Organization's Statement on Burden on Competition

CFE does not believe that the proposed rule change will impose any burden on competition not necessary or appropriate in furtherance of the purposes of the Act, in that the rule change will enhance CFE's ability to carry out its responsibilities as a self-regulatory organization. The Exchange believes that the proposed rule change is equitable and not unfairly discriminatory because the amendments regarding account and order ticket information apply equally to all market participants.

C. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received from Members, Participants, or Others

No written comments were solicited or received with respect to the proposed rule change.

III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

The proposed rule change will become effective on June 23, 2016. At any time within 60 days of the date of effectiveness of the proposed rule change, the Commission, after consultation with the CFTC, may summarily abrogate the proposed rule change and require that the proposed rule change be refiled in accordance with the provisions of Section 19(b)(1) of the Act.<sup>7</sup>

IV. Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Act. Comments may be submitted by any of the following methods:

Electronic comments:

- Use the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>); or
- Send an e-mail to [rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include File Number SR-CFE-2016-003 on the subject line.

Paper comments:

- Send paper comments in triplicate to Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549-1090.

All submissions should refer to File Number SR-CFE-2016-003. This file number should be included on the subject line if e-mail is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's Internet website (<http://www.sec.gov/rules/sro.shtml>). Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications

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<sup>7</sup> 15 U.S.C. 78s(b)(1).

relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for website viewing and printing in the Commission's Public Reference Room, 100 F Street, NE, Washington, DC 20549, on official business days between the hours of 10:00 a.m. and 3:00 p.m. Copies of such filing also will be available for inspection and copying at the principal office of the Exchange. All comments received will be posted without change; the Commission does not edit personal identifying information from submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR-CFE-2016-003, and should be submitted on or before [insert date 21 days from publication in the Federal Register].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>8</sup>

Brent J. Fields  
Secretary

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<sup>8</sup> 17 CFR 200.30-3(a)(73).